

A Small Step Forward in Resolving the Uncertainty of the Patentability of Business Methods in Canada: Amazon.com™ 1-Click Appeal Moves Forward

Victor Krichker & Paul Horbal
© 2010 Bereskin & Parr LLP

The uncertainty surrounding the patentability of business methods in Canada took a small step toward resolution last month as the federal government submitted its written arguments in the pending Federal Court appeal of the Canadian Patent Office's Patent Appeal Board decision rejecting Amazon.com's "1-Click" patent application (see "Amazon.com™ 1-Click - Reshaping the Software Patent Landscape in Canada").

Launched in September 2009, Amazon's appeal takes issue with the Patent Office's attempt to use its decision to reshape the patentability landscape for business methods and other categories of innovation that fall outside historically recognized classes of patentable subject matter.

In Amazon's written arguments, submitted late last year, Amazon claims that the Commissioner of Patents erred in law by following the Patent Appeal Board's decision. More particularly, Amazon argues that the Commissioner relied on inapplicable foreign law, while misstating and misapplying binding Canadian case law. As a result, the Commissioner exceeded her statutory mandate and, in the process, created a new legal framework that among other things excludes business methods from patentable subject matter.

In the written arguments submitted January 21, the federal government sidesteps the issue of the Commissioner's mandate. Instead, rather curiously, the memorandum retraces the history of patent law as far back as court decisions of 17th century England. This appears to be an attempt to support the Commissioner's interpretation of the word "invention" in the Patent Act. According to the Commissioner, the meaning of "invention" in the Patent Act is not all encompassing, but rather excludes business methods and other "non-technological" subject matter, which was never intended to be patentable.

The written submissions of both parties in the appeal stake out the major issues to be decided in the case. Not surprisingly, the first issue is the definition of "invention" in the Patent Act. More particularly, the issue is whether the words "art" or "process" (which appear in the definition) should be given broad interpretation, or be restricted to "an act or series of acts performed by some physical agent upon some physical object to produce in that object some change of either character or condition."

This latter formulation originates in the 1970 decision of *Lawson v. Commissioner of Patents* (1970), 62 C.P.R. 101 of the Exchequer Court of Canada (a predecessor of the Federal Court). It also bears a striking resemblance to the "transformation" prong of the "machine-or-transformation" test recently endorsed by the United States Court of Appeals for the Federal Circuit in the famous *In Re Bilski* decision, which is currently being reviewed by the U.S. Supreme Court (see "Anything 'Meaningful Under the Sun'").

According to Amazon, the meaning of "art" was given a broad definition by the Supreme Court in the more recent case of *Shell Oil v. Commissioner of Patents*, [1982] 2 S.C.R. 536. Namely, "art" was intended to have a wide connotation extending to "new and innovative methods of applying skill or knowledge provided they produced effects or results commercially useful to the public."

For its part, the government argues that the Shell Oil definition did not supersede Lawson, and was restricted only to a sub-class of inventions (i.e., claims involving a new use for known elements). Thus, the Lawson test should be applied to "art" and "process" claims.

Related issues are the exclusion of business methods and the "technological" requirement introduced in the Commissioner's decision. Both of these issues were controversial when the decision was published,

because among other reasons, they appear to ignore or reverse recent trends in the Patent Office's own practice. This is a point Amazon emphasizes in its written arguments.

Amazon also takes issue with the Commissioner's reliance on UK and European case law to support this exclusion and "technological" requirement. Amazon argues that, unlike Canada, those foreign jurisdictions have significantly different patent statutes with explicit exclusions of business methods.

Finally, the parties differ as to the correct approach to be taken when assessing the subject matter of patent claims. Amazon argues that claims should be construed purposively, and assessed as a whole. The government argues that only the new and non-obvious elements of the claims should be considered, and that sometimes, it may be necessary to look beyond the claims as they are construed to determine the "actual contribution to the art made by the invention." This issue is significant, as it may determine if system and apparatus claims are to be considered patentable where they implement a method that runs afoul of the proposed "technological" test or business method exception.

A hearing in the case is now scheduled for mid-April. Given the number of issues to be decided, the relative scarcity of Canadian jurisprudence in this area, and the rapid evolution of patentable subject matter associated with the shift into an information economy, it seems certain that the Court will have its hands full.

Victor Krichker, B.Sc. (Civil Eng.), LL.B., is a partner with Bereskin & Parr LLP and is the leader of the Software/High Technology Practice group. He can be reached in Toronto at 416.957.1699 or vkrichker@bereskinparr.com.

Paul Horbal, B.A.Sc., M.Sc. (Elec. Eng.), J.D., is an associate lawyer with Bereskin & Parr LLP. He can be reached in Toronto at 416.957.1664 or phorbal@bereskinparr.com.